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(Drafting Office and Officer)

DEPARTMENT OF STATE

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Memorandum of Conversation

PART II (of 7)

DATE: November 30, 1962

TIME: 11:00 AM

PLACE: The White House

SUBJECT: The Alliance for Progress

PARTICIPANTS: President Kennedy
Ambassador Charles R. Burrows
Assistant Secretary of State Martin
Assistant Administrator of AID Moscoso
Mr. Ralph Dungan, The White House

~~COPIES TO:~~ President Villeda Morales of Honduras
Honduran Ambassador to the United States and the OAS Céleo Dávila
Honduran Foreign Minister Alvarado Puerto
Honduran Finance Minister Bueso Arias
COPIES TO: S/S S/AL White House EUR
S/P ARA-2 AID/EXSEC AmEmbassy TEGUCIGALPA
G INR/D AID/LA

President Villeda opened with the following comments concerning the Alliance for Progress:

Communism will be no threat in Central America if assistance is forthcoming under the Alliance for Progress. If Honduras receives what it is requesting, the country will be grateful to the Alliance, and the government will be able to convince the people that they should be patient because the Alliance will meet their aspirations.

Honduras has accomplished more in the past five years, than in all of the country's previous history. Education and health facilities have been constructed, mortality and illiteracy rates cut. Honduran money puts up a new school every two or three days. More bridges have been built in the last five years than in the previous 55.

President Villeda's administration now wants a few additional projects to cap its term. It wants to stimulate the growth of a pulp and paper industry. Oil offers great possibilities. And it wants to effect an agrarian reform program based on a recently passed law (see separate memorandum of conversation). These items will be discussed with Mr. Moscoso and Mr. Martin.

Unfortunately, totally undeveloped countries lack the means to meet the technical requirements of the Alliance for Progress, such as the feasibility studies required by American legislation. The United States can operate with a budget deficit, but a small country cannot. Plans and projects are important,

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but in a conflagration there is no time to wait for feasibility studies.

Serious difficulties also arise when a country tries to reform its land, tax and income structures in the face of prejudices against such reforms. It often is more difficult to take necessary action in a democracy than in a dictatorship. President Villeda understands the difficulty the U. S. Government has in meeting the requirements levied on it by the U. S. Congress, but the Honduran Government has its problems, too.

Responding to President Villeda's initiative on this subject, and in the course of discussion President Kennedy made the following observations,

United States funds are limited, and the country has economic and military commitments all over the world. Most assistance to Latin America comes from the United States. The foreign aid program has created a serious balance of payments problem. The most expensive assistance is dollar aid, because this represents a net drain on the economy. Europe should share the burden.

Nonetheless, expectations regarding rapid progress are greater in Latin America than in Africa or Asia. The United States gives priority to its commitments to Latin America in order to help solve urgent social problems.

The United States is well aware of the need to speed Alliance programs. The President was gratified by President Villeda's recognition of a "mutual" need for such effort. The United States recognizes the difficulty inherent in land and tax reforms, but there are also difficulties present when funds are requested of the U. S. Congress.

President Kennedy suggested that President Villeda continue future discussions of this subject with Mr. Moscoso.

Mr. Moscoso stated that the United States now plans to help recipients of aid with required pre-investment and engineering studies. The incapacity of underdeveloped countries in this regard has been a serious concern. American legislation requires the submission of specific projects, and plans and projects go hand in hand. Therefore, the United States is interested in the sound preparation of projects.

Interpreters: Mr. Van Reigersberg and Mr. Hervas

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